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## WRAP-UP LUNCHEON Tuesday, October 3, 1995

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We all have to deal with managing transportation in changing times. I think every speaker today has talked about the changes that we have had in the past and what we are going to have in the future.

In 1991, Congress passed the Intermodal Surface Transportation Efficiency Act (ISTEA). It was a six-year act that certainly has changed the way we do business. Earlier today, some of the changes that were not kind to Kentucky were mentioned, especially the way that the money is distributed. In 1991, Congress went through four different categories to try to adjust the minimum allocation and address the donor/donee issue. You notice that, with what we have today, we still have a problem with the donor/donee issue.

In 1997, we will have change again. Congress will re-authorize the Federal-Aid Highway Program. They were going to do it in 1996—that was Representative Schuster's plan in the House of Representatives, but he withdrew it. We do not know what is going to happen in the future. Yesterday you heard from Congressman Rogers, and I am sure he told you about the importance of the Federal-Aid Highway Program. We are dealing with a number of major issues as Congress tries to get through the program this year.

The Federal Highway Administration really wants the National Highway System (NHS) approved, but there are many other issues that are being debated in Congress and have to be worked out before it is approved. We want it approved quickly because we have \$6.3 billion that will not be made available to the states. That includes money that does not show up on Paul Toussaint's computer screen so he can't make it available to the state of Kentucky for obligation on the National Highway System or interstate maintenance projects.

In addition to the NHS, we have the issue of the speed limit of 55 mph versus 65 mph. I think we are going to see some change in that. Of course, there are some differences between the House and Senate, especially what is contained in the Senate Bill. That is an issue that has to be resolved in Congress.

Another issue that is going to change from what we have today is the crumb-rubber issue. Previous legislation called for sanctions from states that did not include a crumb rubber program for asphalt. That provision is now in both the House and Senate bills. The Senate wants a program that would provide for pilot programs in several states on how crumb rubber could be used in asphalt. Keep in mind, there are some states that think crumb rubber in asphalt is good. Florida is one of those states.

Another issue that we most likely are going to see some changes in is the management systems. Both the House and Senate have provisions for repealing the penalties that relate to the management systems in pavement, bridge, safety, transit, congestion management, and intermodal management. Essentially, that means that the management systems each state sees fit to incorporate on their own will be accepted by Federal Highway Administration.

We have another issue pending on the use of billboards. We got into the billboard business in 1965, and anyone who has worked in the highway program knows the problems of getting involved with the billboard issue. The Federal Highway Administration required that the commercial and industrial areas within the scenic highway program be billboard-free. Congress would eliminate that provision, and provide for billboards in commercial and industrial areas on scenic highways.

Congress also is looking at the issue of noise barriers. The bill would prohibit the use of federal funds to construct noise barriers when they are not a part of the initial construction.

For the lifetime of ISTEA, Congress provided \$38 billion for the National Highway System. Since we do not have a National Highway System approved as of today, that apportionment cannot be made available to the states. What that means is the fiscal year 1996 apportionment for the National Highway System and interstate maintenance cannot be made until a National Highway System is approved. The unfortunate issue on the National Highway System is that there seems to be no misunderstanding as to whether or not the system that was submitted by FHWA is acceptable. Everyone seems to find the system acceptable. I

think that says a lot for what the states and the MPOs did in developing the National Highway System because there could have easily been a real point of contention. The contention that exists on the National Highway System is that the House wants changes to the National Highway System subject to congressional action and the Senate wants to delegate the approval action to the Secretary of Transportation. Keep in mind that what we need in FHWA is just for the map to be approved and that would allow us to make the NHS apportionment.

The Secretary of Transportation also has weighed in on a number of issues regarding the legislation that is pending and the issues that are being discussed. First of all, the Secretary of Transportation's position is to keep the speed limit as it is today. Second, the Secretary of Transportation does not want to lift the sanctions that presently exist if states do not have a helmet law for motorcycle riders. In addition, the Secretary of Transportation wants to keep some of the restrictions on motor carriers that travel in-state. There is a provision in several of the bills that are pending that would lift some of the restrictions on in-state motor carriers. So, there are also differences between the Administration and Congress.

Other concerns of the Administration relate to billboards. They want to keep the restriction on billboards on scenic highways. Of course, funding levels are also an issue.

How much money will be made available for the entire program? Keep in mind that when the states begin this new fiscal year, they will have a shortened Federal-Aid Highway Program. First of all, they will not have the \$6.3 billion for the NHS and interstate maintenance. Then, the states will be impacted by something called Section 1003(C) that requires certain reductions because of the limit set in 1991 on total expenditures under that law of \$98 billion. That will essentially require about a 13-percent reduction. Also, the obligation authority that will be made available will be the average of what has been proposed by both the House and Senate, reduced by 5 percent. You can see the full measure will not be available come the first of October.

Also, there will be a significant impact on the minimum allocation and the hold-harmless categories that are used to make up the difference to try to bring the donor states up to what would normally be expected as a reasonable return. FHWA will be getting the money that can be released out to the states probably this week. In the meantime, Congress will return the week of October 9th, so you can see that nothing will happen yet this week as far as our National Highway System legislation.

When we talk about change, I think it is important that we look at our funding and how that has changed, and how it may change in the future. The Federal-Aid Highway Program only constitutes 21 percent of the total program in the United States. We have about an \$87-billion program each year, and only 21 percent comes from the federal govern-



ment. The state participation is at 52 percent and also municipal and county governments provide 27 percent.

While we talk a lot about the Federal-Aid Highway Program, I think it is because of the success that the state and the federal governments had in the interstate program. But, as we move to the future, I certainly would not believe that the federal program would become any more than the 21 percent it is today. The Trust Fund started in 1956. In 1993, the Highway Trust Fund produced \$16 billion. It dropped to approximately \$14.7 billion in 1994. Why that drop? You may think that happened because cars are more efficient, but that is not the case. The drop was because the Treasury Department made a mistake. The Treasury Department failed to credit to the Highway Trust Fund certain amounts that relate to transit. We have been told that this approximately one and a half billion dollars will be credited in 1995. However, the Highway Trust Fund is a very complex issue and while we would like to think that we know exactly how much credit each state deserves as far as gas and fuel tax receipts, that is not quite the case.

Our primary income source does have some problems that you have to keep in mind as we move forward. We have to recognize that we may have to make some changes. Times are changing. Some of the problems are: in 1970, the average mile per gallon for all vehicles (trucks and cars) was 12 miles per gallon. In 1993, it was 16.7 miles per gallon. That is approximately a 30-percent increase in miles per gallon, which certainly affects the Highway Trust Fund. Add to that the more efficient engines that we will have in the future and the ethanol fuel exemption. Then we have fuel tax evasion at both the federal and state levels. We have done a lot to address that in the past but more has to be done in the future.

First, 85 percent of all Highway Trust Fund money comes from motor fuel tax, 60 percent comes from gas, 20 percent comes from diesel, and 5 percent comes from gasohol. In 1956, we had a 3-cents per gallon gas tax, all of it going to the Trust Fund. Then in 1983, we got what we referred to at that time as the nickel—three and a half cents went to the highway program and one and a half cent went to transit. Then in 1987, you will notice that we picked up another tenth of a cent and that went entirely to storage tanks. In 1990, we again increased the tax 5 cents per gallon, with 2.5 cents going into the highway fund and 2.5 cents going into deficit reduction. In 1993, we added 4.3 cents, all of which went to deficit reduction. In 1996, 2.5 cents of that in deficit reduction is going to go back into the highway account. Then of course, we will have 12 cents going into the highway account and half a cent going into the transit account. This gives you an idea that in 1996 we will have something like two-thirds of the gas tax going into the highway account, whereas in the '60s and '70s, 100 percent went into the highway account.

Earlier we talked about the donor/donee issue and I would like to touch again on that very briefly. First of all, in 1994, Kentucky was at the bottom of the list as far as return on the amount of money contrib-

uted to the trust fund. It was .93 percent. The .73 percent that was talked about earlier involves dollars, but I am giving you the percent of the percent, which is probably a better measure. The percentage for Massachusetts was 4.09 of what they sent in. They got back 4.09 percent, Kentucky got back .93 percent. So, certainly Kentucky's position is that of a donor state. That is something we have to look at very carefully. When you look at these numbers we only had \$14.7 billion contributed to the Highway Trust Fund in 1994 when it should have been \$16.5 billion. These percentages get to be very complex. One thing that is not complex is that Kentucky should not be on the bottom. I think all of you should do what you can to support Mike Hancock in his efforts in trying to bring the donor/donee relationship in line.

The Kentucky Transportation Cabinet has always been a leader in the Federal-Aid Highway Program. Not only a leader in using the funds that are apportioned, but also a leader in using all available funds including discretionary money. However, with the 1991 ISTEA, we do not have as much discretionary money in the Federal-Aid Highway Program as we did in previous years.

The Kentucky Transportation Cabinet and the Kentucky Transportation Center also have been leaders in new transportation technology. They have led the Advantage I-75 program, which is an Intelligent Transportation System (ITS) concept especially related to what is called CVO (Commercial Vehicle Operations). It is a program that runs from Florida to Detroit and into Canada. And, it is a successful project because of Don Kelly's and Calvin Grayson's leadership. It is becoming a model for the entire United States on how we can improve the efficiency and safety of motor carriers. I think they deserve a lot of credit for their leadership in this area because it is a program that could well expand very soon.

I personally want to express my appreciation to the industry and industry groups in Kentucky that have supported the Federal-Aid Highway Program. Jack Fish (Kentuckians for Better Transportation) and others have been strong supporters of the Federal-Aid Highway Program and strong supporters of the program as it relates specifically to Kentucky. We are most appreciative of that in the Federal Highway Administration.

These certainly are interesting times and changes are occurring. Sometimes we want the changes, sometimes they are changes we do not want. But, by working together as partners, I am confident that we will be able to address these new programs as they come out. We all want to be winners. We all want to have an efficient program, a program that meets the needs of the people. But we have to recognize that we are here to serve in not only the movement of people and goods, but also we have to recognize that we provide for economic development and jobs. Our highways provide for economic development, they provide for jobs far beyond the actual construction project. Therefore, we must be very

diligent and, by being diligent and recognizing that we do more than just provide for the movement of people and goods, I am confident we are going to be a complete success. It has certainly been my pleasure to be with you today. Thank you.